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Docket No. 02-00394

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Q: Please state your name, place of employment and title.

A: My name is Joe Conner. I am an attorney with Baker, Donelson, Bearman & Caldwell.

Q: Were you involved in the negotiation of the Murfreesboro franchise currently before the Authority for approval?

A: Yes. I was retained by United Cities Gas Company¹ in May of 2000 to negotiate a new franchise with the City of Murfreesboro. In 1980, the City and United Cities' predecessor entered into a franchise agreement for a term of 20 years, which expired in 2000. I was given the task of negotiating a new franchise agreement with the City.

Q: Please describe the negotiation process.

A: I met with the Murfreesboro city attorney Thomas Reed on more than one occasion. At our first meeting, Mr. Reed identified several areas of concern the City had, including the level of service provided to customers after the acquisition of United Cities by Atmos Energy and the structure of the franchise fee. We eventually came to a consensus on how those concerns could be addressed in the franchise agreement, and I drafted a proposed agreement for his review. The agreement went through several drafts, with both sides

¹ United Cities Gas Company is an unincorporated division of Atmos Energy Corporation doing business in Tennessee as United Cities Gas Company. As indicated by a recent tariff filing, Atmos Energy Corporation has elected to cease doing business as United Cities Gas Company, and to instead use the company's legal corporate name, Atmos Energy Corporation. In all proceedings before the Tennessee Regulatory Authority, the terms "United Cities Gas Company" and "Atmos Energy Corporation" have the same meaning and can be used interchangeably.

making changes and suggestions to the language. We eventually agreed on all the terms and language of the agreement, and it was approved by the City Council in June 2000.

Q: Please describe the significant terms of the new franchise agreement.

A: The franchise is for a term of 15 years, and in response to the City's concerns with regard to call center operations, the franchise agreement requires United Cities to maintain a customer service office within the City limits during the period of the franchise. The parties agreed to increase the franchise fee from 3% to 5% of gross receipts, and to make the fee payable in quarterly, rather than annual, installments. We also negotiated an additional franchise fee charge of one and seven tenths cents per one hundred cubic feet of natural gas transported through the City limits to United Cities' transportation only customers. This charge would be the equivalent of a 5% gross receipts fee for those transportation only customers. We also negotiated a new provision which requires United Cities to relocate its pipes at its own expense when a street is being widened.

Q: Was the franchise agreement the product of an arm's-length negotiation process between the City and United Cities?

A: Yes. All aspects of the franchise agreement, including the amount and structure of the fee, resulted from detailed negotiations between the parties, both of whom were represented by attorneys. No provision of the franchise agreement was unilaterally imposed on the other party. All provisions were freely bargained for. The franchise agreement went through several drafts. It was only after both parties reached full agreement on the terms and language that the franchise agreement was enacted by ordinance of the City council.

Q: What is your opinion in regard to the necessity of the approval of this franchise agreement?

A: The franchise agreement is necessary and proper for the public convenience and properly conserves and protects the public interest of the citizens of Murfreesboro, Tennessee.

No further questions.

Joe A. Conner
Joe A. Conner

Sworn to and subscribed before me
this 3rd day of January, 2003.

Hasey L. Chesney
Notary Public

My Commission Expires: 2/4/04

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following person(s), this 18 day of January, 2003.

Richard Collier
Jonathan N. Wike
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Thomas L. Reed., Jr.
111 W. Vine Street
P.O. Box 1044
Murfreesboro, TN 37133-1044

By: _____

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